



ANNOUNCEMENT OF 2018 INTERIM RESULTS

The Directors of Dah Sing Financial Holdings Limited (the “Company”) are pleased to present the interim results and condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2018. The unaudited profit attributable to shareholders after non-controlling interests for the six months ended 30 June 2018 was HK\$1,040.8 million.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

The unaudited 2018 interim condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June

HK\$'000	Note	2018	2017	Variance %
Continuing operations				
Interest income		3,184,915	2,770,796	
Interest expense		(1,042,133)	(877,914)	
Net interest income	3	2,142,782	1,892,882	13.2
Fee and commission income		776,003	580,419	
Fee and commission expense		(164,811)	(125,360)	
Net fee and commission income	4	611,192	455,059	34.3
Net trading income	5	103,908	117,105	
Net insurance premium and other income		145,230	126,671	
Other operating income	6	58,452	42,332	
Operating income		3,061,564	2,634,049	16.2
Net insurance claims and expenses		(90,483)	(89,289)	
Total operating income net of insurance claims		2,971,081	2,544,760	16.8
Operating expenses	7	(1,334,336)	(1,281,419)	4.1
Operating profit before impairment losses		1,636,745	1,263,341	29.6
Credit impairment losses	8	(38,613)	(167,275)	(76.9)
Operating profit before gains and losses on certain investments and fixed assets		1,598,132	1,096,066	45.8
Net loss on disposal of other fixed assets		(268)	(106)	
Net gain on disposal of financial assets at fair value through other comprehensive income		665	-	
Net gain on disposal of available-for-sale securities		-	27,749	
Impairment loss on investment in an associate	9	(403,000)	-	
Share of results of an associate		409,941	373,038	
Share of results of jointly controlled entities		12,386	9,198	
Profit before taxation		1,617,856	1,505,945	7.4
Taxation	10	(236,952)	(179,215)	
Profit for the period from continuing operations		1,380,904	1,326,730	4.1
Discontinued operations				
Profit for the period from discontinued operations		-	3,849,872	
Profit for the period		1,380,904	5,176,602	(73.3)
Profit attributable to non-controlling interests		(340,127)	(332,260)	
Profit attributable to Shareholders of the Company		1,040,777	4,844,342	(78.5)
Attributable to:				
Shareholders of the Company				
- From continuing operations		1,040,777	994,871	
- From discontinued operations		-	3,849,471	
		1,040,777	4,844,342	
Interim dividend		127,329	107,224	
Earnings per share				
Basic				
- From continuing operations	11	HK\$3.11	HK\$2.97	
- From discontinued operations	11	N/A	HK\$11.49	
Diluted				
- From continuing operations	11	HK\$3.11	HK\$2.97	
- From discontinued operations	11	N/A	HK\$11.49	

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June

HK\$'000	2018	2017
Profit for the period	1,380,904	5,176,602
Other comprehensive income for the period		
Items that may be reclassified to the consolidated income statement:		
Investments in securities		
Net change in fair value of debt instruments at fair value through other comprehensive income	(291,011)	-
Net change in allowance for expected credit losses of debt instruments at fair value through other comprehensive income	(5,276)	-
Net gain on available-for-sale securities recognised in equity	-	256,632
Net gain realised and transferred to income statement upon:		
- Disposal of available-for-sale securities	-	(27,749)
- Disposal of financial assets at fair value through other comprehensive income	(665)	-
Deferred income tax related to the above	42,106	(41,571)
	(254,846)	187,312
Exchange differences arising on translation of the financial statements of foreign entities	(93,907)	166,116
Items that will not be reclassified to the consolidated income statement:		
Net change in fair value of equity instruments at fair value through other comprehensive income	(17,439)	-
Other comprehensive (loss)/ income for the period, net of tax	(366,192)	353,428
Total comprehensive income for the period, net of tax	1,014,712	5,530,030
Attributable to:		
Non-controlling interests	251,461	417,495
Shareholders of the Company		
- From continuing operations	763,251	1,248,515
- From discontinued operations	-	3,864,020
Total comprehensive income for the period, net of tax	1,014,712	5,530,030

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

HK\$'000	Note	As at 30 Jun 2018	As at 31 Dec 2017
ASSETS			
Cash and balances with banks		14,356,190	18,815,031
Placements with banks maturing between one and twelve months		10,179,191	13,614,678
Trading securities	12	5,356,733	9,278,454
Financial assets at fair value through profit or loss	12	796,802	1,062,409
Derivative financial instruments		1,019,143	897,967
Advances and other accounts	13	131,777,530	128,310,547
Financial assets at fair value through other comprehensive income	15	41,221,350	-
Available-for-sale securities	15	-	38,566,382
Financial assets at amortised cost	16	10,875,380	-
Held-to-maturity securities	16	-	6,362,779
Investment in an associate	9	3,726,684	4,134,651
Investments in jointly controlled entities		93,543	81,157
Goodwill		874,603	874,603
Intangible assets		80,927	80,927
Premises and other fixed assets		2,125,889	2,156,620
Investment properties		1,219,840	1,219,840
Current income tax assets		-	137
Deferred income tax assets		124,505	81,492
Total assets		223,828,310	225,537,674
LIABILITIES			
Deposits from banks		2,208,517	2,277,391
Derivative financial instruments		575,070	682,784
Trading liabilities		5,343,254	8,668,508
Deposits from customers		162,910,632	161,081,720
Certificates of deposit issued		6,680,490	7,183,706
Subordinated notes		5,438,794	5,487,366
Other accounts and accruals		8,744,806	8,140,828
Current income tax liabilities		461,738	459,179
Deferred income tax liabilities		48,976	119,789
Total liabilities		192,412,277	194,101,271
EQUITY			
Non-controlling interests		6,382,204	6,374,321
Equity attributable to the Company's shareholders			
Share capital		4,248,559	4,248,559
Other reserves (including retained earnings)		20,785,270	20,813,523
Shareholders' funds	17	25,033,829	25,062,082
Total equity		31,416,033	31,436,403
Total equity and liabilities		223,828,310	225,537,674

Note:

1. General information

Dah Sing Financial Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) provide banking, insurance, financial and other related services in Hong Kong, Macau, and the People’s Republic of China.

2. Unaudited financial statements and accounting policies

The information set out in this interim results announcement does not constitute statutory financial statements.

Certain financial information in this interim results announcement is extracted from the statutory financial statements for the year ended 31 December 2017 (the “2017 financial statements”) which have been delivered to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance, and the Hong Kong Monetary Authority (“HKMA”).

The auditor’s report on the 2017 financial statements was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Basis of preparation and accounting policies

Except as described below, the accounting policies and methods of computation used in the preparation of the 2018 interim condensed consolidated financial statements are consistent with those used and described in the Group’s annual audited financial statements for the year ended 31 December 2017.

(a) New and amended standards adopted

A number of new standards and amendments to standards and interpretations became effective for the current reporting. None of these has a significant effect on the consolidated financial statements of the Group, except for HKFRS 9, “Financial instruments”.

The Group has adopted HKFRS 9 issued by the HKICPA on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to HKFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of HKFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. HKFRS 9 also significantly amends other standards dealing with financial instruments such as HKFRS 7 “Financial Instruments: Disclosures”.

Set out below are disclosures relating to the impact of the adoption of HKFRS 9 on the Group.

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

The measurement category and the carrying amount of financial assets and liabilities in accordance with HKAS 39 on 31 December 2017 and HKFRS 9 at the opening of 1 January 2018 are compared as follows:

HK\$'000	HKAS 39		HKFRS 9	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Financial assets				
Balances and placements with banks	Amortised cost (Loans and receivables)	32,429,709	Amortised cost	32,424,547
Advances and other accounts	Amortised cost (Loans and receivables)	128,310,547	Amortised cost	128,016,079
Trading securities	Fair value through profit or loss (Held for trading)	9,278,454	Fair value through profit or loss	8,878,937
Investment securities	Fair value through other comprehensive income (Available-for-sale)	38,566,382	Fair value through other comprehensive income	34,648,279
	Amortised cost (Held-to-maturity)	6,362,779	Amortised cost	11,039,229
	Fair value through profit or loss (Designated)	737,491	Fair value through profit or loss (Categorised by designation)	412,936
	Fair value through profit or loss (With embedded derivative)	324,918	Fair value through profit or loss (Categorised based on requirements of HKFRS 9)	324,918

There were no changes to the classification and measurement of financial liabilities.

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of expected credit loss approach resulted in an increase in impairment allowances required to be provided on the Group's financial assets.

Set out below are disclosures relating to the impact, net of tax, of transition to HKFRS 9 on the statement of financial position of the Group.

HK\$'000	Closing balance under HKAS 39 at 31 December 2017	Recognition of expected credit loss	Reclassification from available- for-sale securities to financial assets at fair value through other comprehensive income	Reclassification from financial assets at fair value through profit or loss to financial assets through other comprehensive income	Reclassification from available- for-sale and held-to-maturity securities to financial assets at amortised cost	Recognition of expected credit loss by an associate	Reclassification of investments by an associate	Opening balance under HKFRS 9 at 1 January 2018
Cash and balances with banks	18,815,031	(1,028)	-	-	-	-	-	18,814,003
Placement with banks maturing between one and twelve months	13,614,678	(4,134)	-	-	-	-	-	13,610,544
Trading securities and financial assets at fair value through profit and loss	10,340,863	-	-	(724,072)	-	-	-	9,616,791
Advances and other accounts	128,310,547	(294,468)	-	-	-	-	-	128,016,079
Financial assets at fair value through other comprehensive income	-	-	33,924,207	724,072	-	-	-	34,648,279
Available-for-sale securities	38,566,382	-	(33,924,207)	-	(4,642,175)	-	-	-
Financial assets at amortised cost	-	(5,777)	-	-	11,045,006	-	-	11,039,229
Held-to-maturity securities	6,362,779	-	-	-	(6,362,779)	-	-	-
Investment in an associate	4,134,651	-	-	-	-	(259,211)	167	3,875,607
Deferred income tax assets	81,492	81,530	-	-	-	-	-	163,022
Other accounts and accruals	8,140,828	140,456	-	-	-	-	-	8,281,284
Deferred income tax liabilities	119,789	-	-	-	7,028	-	-	126,818
Non-controlling interests	6,374,321	(92,653)	-	-	8,436	(66,223)	43	6,223,924
Retained earnings	19,739,773	(278,182)	-	(4,809)	-	(211,813)	-	19,244,969
Investment revaluation reserve	247,464	6,500	-	4,809	24,588	18,826	124	302,311

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

The following table reconciles the prior period's closing impairment allowance measured in accordance with the HKAS 39 incurred loss model to the new impairment allowance measured in accordance with the HKFRS 9 expected loss model at 1 January 2018:

HK\$'000

Measurement category	Impairment allowance under HKAS 39	Remeasurement	Impairment allowance under HKFRS 9
Cash and balances with banks	-	1,028	1,028
Placements with banks maturing between one and twelve months	-	4,134	4,134
Financial assets at fair value through other comprehensive income	-	17,738	17,738
Financial assets at amortised cost	-	5,777	5,777
Trade bills	14,229	(11,945)	2,284
Advances to customers	659,046	299,354	958,400
Accrued interest and other accounts	24,595	7,059	31,654
Loan commitments and financial guarantees	-	140,456	140,456
Total	697,870	463,601	1,161,471

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

(a) New and amended standards adopted (Continued)

HKFRS 15, “Revenue from contracts with customers”

The HKICPA has issued HKFRS 15 as the new standard for the recognition of revenue, which has become effective for financial years commencing on or after 1 January 2018. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The adoption of HKFRS 15 does not have any material impact on the Group’s consolidated financial statements.

(b) New and amended standards and interpretations not yet adopted

HKFRS 16, “Leases”

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. The Group has not yet determined to what extent non-cancellable operating lease commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 17, “Insurance contracts”

In January 2018, the HKICPA issued HKFRS 17, a new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces HKFRS 4 “Insurance contracts”.

In contrast to the requirements in HKFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, HKFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration contracts which typically applies to certain non-life insurance contracts.

HKFRS 17 is effective for annual reporting periods beginning on or after 1 January 2021. The Group is yet to assess the impact of the standard on the Group’s consolidated financial statements.

There are no other HKFRSs or interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. Unaudited financial statements and accounting policies (Continued)

Basis of preparation and accounting policies (Continued)

The interim condensed consolidated financial statements are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated, and were approved by the Board of Directors for issue on 22 August 2018.

These interim condensed consolidated financial statements have not been audited.

3. Net interest income

For the six months ended 30 June

HK\$'000	2018	2017
Interest income		
Cash and balances with banks	271,807	182,740
Investments in securities	660,360	491,661
Advances and other accounts	2,252,748	2,096,395
	3,184,915	2,770,796
Interest expense		
Deposits from banks/ Deposits from customers	808,214	686,433
Certificates of deposit issued	59,392	52,795
Subordinated notes	133,910	119,113
Others	40,617	19,573
	1,042,133	877,914
Included within interest income		
Interest income on financial assets not at fair value through profit or loss	3,146,519	2,748,905
Interest income on impaired financial assets	10,090	-
Included within interest expense		
Interest expenses on financial liabilities not at fair value through profit or loss	1,008,225	858,041

4. Net fee and commission income

For the six months ended 30 June

HK\$'000	2018	2017
Fee and commission income		
Fee and commission income from financial assets and liabilities not at fair value through profit or loss		
- Credit related fees and commissions	92,095	77,261
- Trade finance	48,355	38,312
- Credit card	195,084	155,237
Other fee and commission income		
- Securities brokerage	81,584	49,258
- Insurance distribution and others	151,118	62,313
- Retail investment and wealth management services	144,113	125,615
- Bank services and handling fees	36,356	36,801
- Other fees	27,298	35,622
	776,003	580,419
Fee and commission expense		
Fee and commission expense from financial assets and liabilities not at fair value through profit or loss		
- Handling fees and commission	154,563	115,360
- Other fees paid	10,248	10,000
	164,811	125,360

The Group provides custody, trustee, corporate administration, and investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these financial statements.

5. Net trading income

For the six months ended 30 June

HK\$'000	2018	2017
Dividend income from financial assets at fair value through profit or loss	4,245	3,709
Net (loss)/ gain arising from dealing in foreign currencies	(25,379)	15,136
Net (loss)/ gain on trading securities	(157)	13,137
Net gain from derivatives entered into for trading purpose	1,343	11,798
Net (loss)/ gain arising from financial instruments subject to fair value hedge	(2,054)	4,856
Net gain on financial assets at fair value through profit or loss	125,910	68,469
	103,908	117,105

6. Other operating income

For the six months ended 30 June

HK\$'000	2018	2017
Dividend income from investments in equity instruments at fair value through other comprehensive income		
- Listed investments	18,982	-
- Unlisted investments	4,208	-
Dividend income from available-for-sale securities		
- Listed investments	-	5,844
- Unlisted investments	-	4,545
Gross rental income from investment properties	20,562	15,798
Other rental income	6,649	6,724
Others	8,051	9,421
	58,452	42,332

7. Operating expenses

For the six months ended 30 June

HK\$'000	2018	2017
Employee compensation and benefit expenses (including directors' remuneration)	917,860	863,355
Premises and other fixed assets expenses, excluding depreciation	158,816	156,126
Depreciation	89,850	87,785
Advertising and promotion costs	44,818	37,486
Printing, stationery and postage	24,257	25,086
Amortisation expenses of intangible assets	-	194
Others	98,735	111,387
	1,334,336	1,281,419

8. Credit impairment losses

For the six months ended 30 June

HK\$'000

2018

	Stage 1	Stage 2	Stage 3	Simplified approach	Total
Balances and placements with banks	(2,181)	-	-	-	(2,181)
Debt instruments at fair value through other comprehensive income	1,903	-	-	-	1,903
Debt instruments at amortised cost	(481)	-	-	-	(481)
Advances to customers	3,979	(6,765)	55,238	-	52,452
Trade bills	146	(170)	-	-	(24)
Accrued interest and other accounts	35	363	11	23	432
Loan commitments and financial guarantees	(11,575)	(1,913)	-	-	(13,488)
Total	(8,174)	(8,485)	55,249	23	38,613

2017

Net charge of impairment losses on advances and other accounts

- Individually assessed	17,952
- Collectively assessed	149,323
	<u>167,275</u>

Of which

- new and additional allowances (including amounts directly written off in the period)	273,667
- releases	(86,027)
- recoveries	(20,365)
	<u>167,275</u>

9. Impairment loss on investment in an associate

Since the Group's initial investment in Bank of Chongqing ("BOCQ") in 2007, the investment in BOCQ (the "Investment") has been accounted for as an associate, with the Group's pro-rata share of BOCQ's earnings being reported in the consolidated financial statements of the Group as share of results of an associate. This means that the Investment is held at a carrying amount equivalent to the cost of the Investment, plus the share of BOCQ's earnings, less dividends received by the Group, and adjusted for currency changes etc. The value of the Investment is reported in the financial statements of the Group as "Investment in an associate".

According to Hong Kong Accounting Standard 36 "Impairment of assets", the value of the Investment is subject to regular impairment testing. The impairment test is performed by comparing the recoverable amount of BOCQ, determined by a value in use ("VIU") calculation, with the carrying amount of the investment. The VIU calculation uses discounted cash flow projections based on management's estimates of BOCQ's earnings and dividends to be paid in future, and the estimated probable exit value in future after considering the growth of BOCQ and its net asset value for the medium and longer term. If the VIU remains above the carrying amount, then no impairment is recognised. If, however, the VIU falls below the carrying amount, then an impairment charge, which is equal to the difference in value between the VIU and the carrying amount, has to be recognised. The Group has performed impairment test and assessment of VIU on the Investment on a regular basis in the past.

In performing the VIU calculation to arrive at the recoverable amount of the investment, the Group considers all relevant factors including market views and qualitative factors to ensure that the inputs to the VIU calculation are appropriate. Adjustments need to be made to reflect the latest situation affecting BOCQ and also market outlook for the medium and longer term that are relevant to projecting BOCQ's future performance. Significant management judgement is required in estimating the future cash flows arising from BOCQ.

In the prior years and the period up to 30 June 2017, the VIU had been above the carrying value, and hence no impairment charge had been made. However, based on the assessment conducted for the position as at 31 December 2017, the recoverable amount, as determined by the VIU calculation and after considering all relevant factors and valuation assumptions, was lower than the carrying amount, and an impairment charge at HK\$815 million had been recognised, which had been included in the consolidated results of the Group for the year ended 31 December 2017.

The latest impairment test performed by the Group for the position as at 30 June 2018 concludes that the recoverable amount, based on the VIU calculation, is assessed as lower than the carrying amount by HK\$403 million. As a result, the carrying amount of the Group's investment in BOCQ at 30 June 2018 has been written down to HK\$3,726.7 million, which is the recoverable amount at 30 June 2018 assessed by the Group. The original cost of the Investment is HK\$1,213 million.

The impairment charge recognised on the Investment does not have any impact to Dah Sing Bank, Limited ("DSB")'s capital adequacy. The calculation of DSB's capital adequacy does not include the retained earnings from the Investment, except for BOCQ cash dividend received by DSB. Provided that the Investment continues to be held at or above the original cost of the investment, impairment made on the Investment does not affect DSB's capital adequacy.

10. Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

Deferred taxation is calculated in full on temporary differences under the liability method at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised.

For the six months ended 30 June

HK\$'000	2018	2017
Current income tax		
- Hong Kong profits tax	208,202	158,285
- Overseas taxation	26,507	21,887
Deferred income tax		
- Origination and reversal of temporary differences	2,243	(957)
Taxation	<u>236,952</u>	<u>179,215</u>

11. Basic and diluted earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on earnings from continuing operations of HK\$1,040,777,000 (2017: HK\$994,871,000 earnings from continuing operations and HK\$3,849,471,000 earnings from discontinued operations respectively) and the weighted average number of 335,075,100 (2017: 335,075,100) ordinary shares in issue during the period.

The calculation of fully diluted earnings per share for the six months ended 30 June 2018 is based on earnings from continuing operations of HK\$1,040,777,000 (2017: HK\$994,871,000 earnings from continuing operations and HK\$3,849,471,000 earnings from discontinued operations respectively) and the weighted average number of 335,075,100 (2017: 335,103,940) ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

12. Trading securities and financial assets at fair value through profit or loss

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
Trading securities		
Debt securities:		
- Listed in Hong Kong	82,766	97,672
- Unlisted	5,273,967	8,739,882
	5,356,733	8,837,554
Equity securities:		
- Listed in Hong Kong	-	79,680
- Listed outside Hong Kong	-	12,815
- Unlisted, interests in investment funds	-	348,405
	-	440,900
	5,356,733	9,278,454
Financial assets at fair value through profit or loss		
Categorised by designation upon or subsequent to initial recognition:		
Debt securities:		
- Listed in Hong Kong	-	69,797
- Listed outside Hong Kong	210,887	507,024
- Unlisted	-	342,660
	210,887	919,481
Equity securities:		
- Listed in Hong Kong	157,203	40,485
- Listed outside Hong Kong	45,423	102,443
- Unlisted	55,371	-
	257,997	142,928
Categorised based on requirements of HKFRS 9:		
Debt securities:		
- Unlisted	327,918	-
	796,802	1,062,409
Total	6,153,535	10,340,863

12. Trading securities and financial assets at fair value through profit or loss (Continued)

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
Included within debt securities are:		
- Treasury bills which are cash equivalents	838,790	1,122,876
- Other treasury bills	4,479,056	7,677,149
- Government bonds	38,887	37,529
- Other debt securities	538,805	919,481
	5,895,538	9,757,035

As at 30 June 2018 and 31 December 2017, there were no certificates of deposit held included in the above balances.

Trading securities and financial assets at fair value through profit or loss are analysed by categories of issuers as follows:

- Central governments and central banks	5,356,733	8,837,554
- Public sector entities	-	57,739
- Banks and other financial institutions	1,945	165,395
- Corporate entities	794,857	1,280,175
	6,153,535	10,340,863

13. Advances and other accounts

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
Gross advances to customers	122,675,787	119,261,984
Less: impairment allowances	<u>(880,847)</u>	<u>(659,046)</u>
	121,794,940	118,602,938
Trade bills	4,130,109	4,065,401
Less: impairment allowances	<u>(2,261)</u>	<u>(14,229)</u>
	4,127,848	4,051,172
Other assets		
- Other accounts receivable and prepayment	5,886,828	5,681,032
Less: impairment allowances	<u>(32,086)</u>	<u>(24,595)</u>
	5,854,742	5,656,437
Advances and other accounts	131,777,530	128,310,547

13. Advances and other accounts (Continued)

(a) Gross advances to customers by industry sector classified according to the usage of loans

HK\$'000	As at 30 Jun 2018		As at 31 Dec 2017	
	Outstanding balance	% of gross advances	Outstanding balance	% of gross advances
Loans for use in Hong Kong				
Industrial, commercial and financial				
- Property development	5,458,012	4.4	3,927,651	3.3
- Property investment	14,987,944	12.2	14,933,223	12.5
- Financial concerns	4,399,650	3.6	3,814,050	3.2
- Stockbrokers	2,456,874	2.0	2,141,027	1.8
- Wholesale and retail trade	6,167,850	5.0	7,202,373	6.0
- Manufacturing	2,240,967	1.8	1,900,894	1.6
- Transport and transport equipment	3,771,502	3.1	3,932,189	3.3
- Recreational activities	100,308	0.1	96,881	0.1
- Information technology	64,046	0.1	68,986	0.1
- Others	3,818,192	3.1	4,114,396	3.4
	43,465,345	35.4	42,131,670	35.3
Individuals				
- Loans for the purchase of flats in Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	656,412	0.5	687,074	0.6
- Loans for the purchase of other residential properties	23,788,584	19.4	22,988,102	19.3
- Credit card advances	3,561,358	2.9	3,613,411	3.0
- Others	12,643,019	10.3	12,308,030	10.3
	40,649,373	33.1	39,596,617	33.2
Loans for use in Hong Kong	84,114,718	68.5	81,728,287	68.5
Trade finance (Note (1))	9,525,772	7.8	8,766,204	7.4
Loans for use outside Hong Kong (Note (2))	29,035,297	23.7	28,767,493	24.1
	122,675,787	100.0	119,261,984	100.0

Note:

- (1) Trade finance shown above represents loans covering finance of imports to Hong Kong, exports and re-exports from Hong Kong and merchandising trade classified with reference to the relevant guidelines issued by the HKMA.

Trade finance loans not involving Hong Kong (including trade finance extended by the overseas subsidiary banks of DSB) totalling HK\$286,720,000 (31 December 2017: HK\$476,119,000) are classified under "Loans for use outside Hong Kong".

- (2) "Loans for use outside Hong Kong" include loans extended to customers located in Hong Kong with the finance used outside Hong Kong.

13. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets

(i) Impaired loans

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
Impaired loans and advances		
- Stage 3 (Note (1))	1,025,085	-
- Individually impaired (Note (1))	-	755,264
- Collectively impaired (Note (2))	-	19,033
	1,025,085	774,297
Impairment allowances made		
- Stage 3 (Note (3))	(388,647)	-
- Individually assessed (Note (3))	-	(280,641)
- Collectively assessed (Note (2))	-	(17,447)
	(388,647)	(298,088)
	636,438	476,209
Fair value of collaterals held*	518,318	563,247
Impaired loans and advances as a % of total loans and advances to customers	0.84%	0.65%

* Fair value of collateral is determined at the lower of the market value of collateral and outstanding loan balance.

Note:

- (1) Stage 3 loans are loans considered credit impaired. Individually impaired loans are defined as those loans having objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event has an impact on the estimated cash flows of the loans that can be reliably estimated.
- (2) Collectively impaired loans and advances refer to those unsecured loans and advances assessed for impairment on a collective basis and which have become overdue for more than 90 days as at the reporting date. The collective impairment allowance for these impaired loans, which is a part of the overall collective impairment allowances, is shown above.
- (3) The above Stage 3/ individual impairment allowances were made after taking into account the value of collaterals in respect of such advances as at 30 June/ 31 December.

13. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets (Continued)

(ii) Gross amount of overdue loans

HK\$'000	As at 30 Jun 2018		As at 31 Dec 2017	
	Gross amount of overdue loans	% of total	Gross amount of overdue loans	% of total
Gross advances to customers which have been overdue for:				
- six months or less but over three months	62,957	0.05	91,458	0.08
- one year or less but over six months	96,058	0.08	126,354	0.11
- over one year	501,441	0.41	582,967	0.49
	<u>660,456</u>	<u>0.54</u>	<u>800,779</u>	<u>0.68</u>
Market value of securities held against the secured overdue advances	<u>654,854</u>		<u>798,711</u>	
Secured overdue advances	454,486		593,375	
Unsecured overdue advances	<u>205,970</u>		<u>207,404</u>	
Impairment allowances	<u>245,836</u>		<u>258,988</u>	

Collateral held mainly represented pledged deposits, mortgages over properties and charges over other fixed assets such as equipment.

(iii) Rescheduled advances net of amounts included in overdue advances shown above

	As at 30 Jun 2018	% of total	As at 31 Dec 2017	% of total
Advances to customers	<u>335,610</u>	<u>0.27</u>	<u>344,868</u>	<u>0.29</u>
Impairment allowances	<u>119,875</u>		<u>1,640</u>	

13. Advances and other accounts (Continued)

(b) Impaired, overdue and rescheduled assets (Continued)

(iv) Trade bills

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
Trade bills which have been overdue for:		
- one year or less but over six months	-	4,397
- over one year	<u>102</u>	<u>10,868</u>
	<u>102</u>	<u>15,265</u>
Impairment allowances	<u>-</u>	<u>-</u>

(c) Repossessed collateral

Reposessed collateral held is as follows:

	As at 30 Jun 2018	As at 31 Dec 2017
Nature of assets		
Reposessed properties	157,319	282,643
Others	<u>7,496</u>	<u>21,343</u>
	<u>164,815</u>	<u>303,986</u>

Reposessed collaterals are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness of the borrowers concerned.

Certain other properties in the Mainland China with a total estimated realisable value of HK\$62,759,000 (31 December 2017: HK\$65,433,000), which had been foreclosed and reposessed by the Group pursuant to orders issued by courts in the Mainland China, represent assets held by the Group for resale and have been reported under "Other assets". The relevant loans had been derecognised.

14. Impairment allowances against advances to customers and other accounts

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL under simplified approach	Total
Closing balance under HKAS 39 at 31 December 2017					697,870
Changes on initial application of HKFRS 9					<u>294,468</u>
Impairment allowance as at 1 January 2018	323,178	187,552	451,708	29,900	992,338
Transfers:					
Transfer from Stage 1 to Stage 2	(2,949)	11,340	-	-	8,391
Transfer from Stage 1 to Stage 3	(6,942)	-	31,985	-	25,043
Transfer from Stage 2 to Stage 1	4,029	(15,901)	-	-	(11,872)
Transfer from Stage 2 to Stage 3	-	(5,261)	14,438	-	9,177
Transfer from Stage 3 to Stage 2	-	-	(1)	-	(1)
Transfer from Stage 3 to Stage 1	-	-	(341)	-	(341)
New financial assets originated or purchased	114,493	7,298	19,773	-	141,564
Changes in PDs/LGDs/EADs	(64,569)	696	103,427	57	39,611
Unwinding of discount	8,028	1,783	4,066	-	13,877
Financial assets derecognised during the period	(41,444)	(24,741)	(66,480)	-	(132,665)
Write-offs	-	-	(171,105)	-	(171,105)
Foreign exchange and other movements	(169)	2	1,344	-	1,177
Impairment allowance as at 30 June 2018	<u>333,655</u>	<u>162,768</u>	<u>388,814</u>	<u>29,957</u>	<u>915,194</u>
Deducted from:					
Trade bills	2,259	2	-	-	2,261
Advances to customers	330,105	162,095	388,647	-	880,847
Accrued interest and other accounts	1,291	671	167	29,957	32,086
	<u>333,655</u>	<u>162,768</u>	<u>388,814</u>	<u>29,957</u>	<u>915,194</u>

Abbreviations used:

PD	Probability of default
LGD	Loss given default
EAD	Exposures at default

14. Impairment allowances against advances to customers and other accounts (Continued)

	Individually assessed	Collectively assessed	Total
At 1 January 2017	455,761	438,731	894,492
Impairment losses charged	91,066	179,816	270,882
Loans written off as uncollectible	(267,889)	(268,055)	(535,944)
Recoveries of advances written off in previous years	21,019	42,093	63,112
Exchange and other adjustments	1,977	3,351	5,328
	<u>301,934</u>	<u>395,936</u>	<u>697,870</u>
At 31 December 2017			
Deducted from:			
Trade bills	-	14,229	14,229
Advances to customers	280,641	378,405	659,046
Accrued interest and other accounts	21,293	3,302	24,595
	<u>301,934</u>	<u>395,936</u>	<u>697,870</u>

15. Financial assets at fair value through other comprehensive income/ Available-for-sale securities

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
	Financial assets at fair value through other comprehensive income	Available- for-sale securities
Debt securities:		
- Listed in Hong Kong	16,624,922	14,558,256
- Listed outside Hong Kong	16,052,803	17,654,181
- Unlisted	5,602,289	5,894,077
	38,280,014	38,106,514
Equity securities:		
- Listed in Hong Kong	904,311	260,629
- Listed outside Hong Kong	993,942	116,295
- Unlisted	1,043,083	82,944
	2,941,336	459,868
Total	41,221,350	38,566,382
Included within debt securities are:		
- Certificates of deposit held	1,385,113	1,363,762
- Treasury bills which are cash equivalents	598,210	1,999,211
- Other treasury bills	6,530,780	5,760,110
- Government bonds	189,539	192,197
- Other debt securities	29,576,372	28,791,234
	38,280,014	38,106,514
Financial assets at fair value through other comprehensive income/ available-for-sale securities are analysed by categories of issuers as follows:		
- Central governments and central banks	7,318,529	7,951,518
- Public sector entities	579,165	639,637
- Banks and other financial institutions	7,933,105	7,681,123
- Corporate entities	25,390,476	22,291,576
- Others	75	2,528
	41,221,350	38,566,382

16. Financial assets at amortised cost/ Held-to-maturity securities

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
	Financial assets at amortised cost	Held-to- maturity securities
Debt securities:		
- Listed in Hong Kong	2,659,214	1,751,107
- Listed outside Hong Kong	3,759,235	1,028,787
- Unlisted	4,462,227	3,582,885
	10,880,676	6,362,779
Less: impairment allowance		
- Stage 1	(5,296)	-
Total	10,875,380	6,362,779
Included within debt securities are:		
- Certificates of deposit held	1,416,742	746,813
- Treasury bills	2,449,354	2,179,817
- Government bonds	543,936	574,061
- Other debt securities	6,470,644	2,862,088
	10,880,676	6,362,779
Financial assets at amortised cost/ held-to-maturity securities are analysed by categories of issuers as follows:		
- Central governments and central banks	2,993,290	2,753,878
- Banks and other financial institutions	4,503,853	1,771,071
- Corporate entities	3,381,080	1,837,830
- Others	2,453	-
	10,880,676	6,362,779

17. Shareholders' funds

HK\$'000	As at 30 Jun 2018	As at 31 Dec 2017
Share capital	4,248,559	4,248,559
Premises revaluation reserve	249,454	249,454
Investment revaluation reserve	106,845	247,464
Exchange reserve	1,731	71,612
Capital reserve	11,903	16,810
General reserve	484,289	484,289
Reserve for share-based compensation	2,670	4,121
Retained earnings	19,928,378	19,739,773
	25,033,829	25,062,082
Proposed dividend/ dividend paid included in retained earnings	127,329	345,127

DSB as a locally incorporated bank in Hong Kong is required to maintain minimum impairment provisions in excess of those required under HKFRS in the form of regulatory reserve. The regulatory reserve, which also covers Banco Comercial de Macau, S.A. ("BCM") and Dah Sing Bank (China) Limited ("DSB China"), is maintained to satisfy the provisions of the Hong Kong Banking Ordinance and local regulatory requirements for prudential supervision purposes. The regulatory reserve restricts the amount of reserves which can be distributed to shareholders. Movements in the regulatory reserve are made directly through equity reserve and in consultation with the HKMA.

As at 30 June 2018, DSB has earmarked a regulatory reserve of HK\$1,169,211,000 (31 December 2017: HK\$1,427,215,000) first against its consolidated general reserve; and for any excess amount, the balance is earmarked against its consolidated retained earnings.

18. Operating segment reporting

Segment reporting by the Group is prepared in accordance with HKFRS 8 “Operating Segments”. Information reported to the chief operating decision maker, including the Chief Executive and other Executive Committee members, for the purposes of resource allocation and performance assessment, is determined on the basis of banking business and insurance business. For banking business, operating performances are analysed by business activities for local banking business, and on business entity basis for overseas banking business. For insurance business, resources allocation and performance evaluation are based on insurance business entity basis.

Considering the customer groups, products and services of local businesses, the economic environment and regulations, the Group splits the operating segments of the Group into the following reportable segments:

- Personal banking business includes the acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services.
- Commercial banking business includes the acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing.
- Treasury activities are mainly the provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group.
- Overseas banking businesses include personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and China, and the Group’s interest in a commercial bank in China.
- Insurance business includes the Group’s insurance and pension fund management business. Through the Group’s wholly-owned subsidiaries in Hong Kong and 96% owned subsidiaries in Macau, the Group offers a variety of insurance products and services.
- Others include results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes).

For the purpose of segment reporting, revenue derived from customers, products and services directly identifiable with individual segments are reported directly under respective segments, while revenue and funding cost arising from inter-segment funding operation and funding resources are allocated to segments by way of transfer pricing mechanism with reference to market interest rates. Transactions within segments are priced based on similar terms offered to or transacted with external parties. Inter-segment income or expenses are eliminated on consolidation.

All direct costs incurred by different segments are grouped under respective segments. Indirect costs and support functions’ costs are allocated to various segments and products based on effort and time spent as well as segments’ operating income depending on the nature of costs incurred. Costs related to corporate activities that cannot be reasonably allocated to segments, products and support functions are grouped under Others as unallocated corporate expenses.

18. Operating segment reporting (Continued)

For the six months ended 30 June 2018

HK\$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter- segment	Total
Net interest income	866,189	612,809	349,154	282,049	15,927	16,654	-	2,142,782
Non-interest income/ (expenses)	<u>501,859</u>	<u>104,784</u>	<u>(59,096)</u>	<u>77,244</u>	<u>58,775</u>	<u>151,513</u>	<u>(6,780)</u>	<u>828,299</u>
Total operating income net of insurance claims	1,368,048	717,593	290,058	359,293	74,702	168,167	(6,780)	2,971,081
Operating expenses	<u>(744,645)</u>	<u>(226,459)</u>	<u>(74,542)</u>	<u>(244,488)</u>	<u>(55,146)</u>	<u>4,164</u>	<u>6,780</u>	<u>(1,334,336)</u>
Operating profit before credit impairment (losses)/ written back	623,403	491,134	215,516	114,805	19,556	172,331	-	1,636,745
Credit impairment (losses)/ written back	<u>(106,014)</u>	<u>58,541</u>	<u>263</u>	<u>8,768</u>	<u>(381)</u>	<u>210</u>	<u>-</u>	<u>(38,613)</u>
Operating profit after credit impairment (losses)/ written back	517,389	549,675	215,779	123,573	19,175	172,541	-	1,598,132
Net loss on disposal of other fixed assets	(218)	-	-	(49)	-	(1)	-	(268)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	665	-	-	-	-	665
Net gain on disposal of available-for-sale securities	-	-	-	-	-	-	-	-
Impairment loss on investment in an associate	-	-	-	(403,000)	-	-	-	(403,000)
Share of results of an associate	-	-	-	409,941	-	-	-	409,941
Share of results of jointly controlled entities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,386</u>	<u>-</u>	<u>12,386</u>
Profit before taxation	517,171	549,675	216,444	130,465	19,175	184,926	-	1,617,856
Taxation (expenses)/ credit	<u>(85,332)</u>	<u>(90,987)</u>	<u>(35,749)</u>	<u>(23,144)</u>	<u>(2,290)</u>	<u>550</u>	<u>-</u>	<u>(236,952)</u>
Profit for the period	<u>431,839</u>	<u>458,688</u>	<u>180,695</u>	<u>107,321</u>	<u>16,885</u>	<u>185,476</u>	<u>-</u>	<u>1,380,904</u>
For the six months ended 30 June 2018								
Depreciation and amortisation	35,050	7,403	2,719	20,855	1,112	22,711	-	89,850
As at 30 June 2018								
Segment assets	47,782,868	61,016,867	71,653,061	34,190,690	4,276,175	9,130,521	(4,221,872)	223,828,310
Segment liabilities	98,012,434	39,061,498	14,162,826	26,253,580	1,947,336	17,196,475	(4,221,872)	192,412,277

18. Operating segment reporting (Continued)

For the six months ended 30 June 2017

HK\$'000	Personal Banking	Commercial Banking	Treasury	Overseas Banking	Insurance Business	Others	Inter- segment	Total
Net interest income/ (expenses)	797,846	574,330	273,813	266,040	7,360	(26,507)	-	1,892,882
Non-interest income/ (expenses)	<u>347,135</u>	<u>91,187</u>	<u>(4,508)</u>	<u>63,705</u>	<u>57,051</u>	<u>104,448</u>	<u>(7,140)</u>	<u>651,878</u>
Total operating income net of insurance claims	1,144,981	665,517	269,305	329,745	64,411	77,941	(7,140)	2,544,760
Operating expenses	<u>(701,818)</u>	<u>(219,521)</u>	<u>(77,179)</u>	<u>(235,984)</u>	<u>(47,714)</u>	<u>(6,343)</u>	<u>7,140</u>	<u>(1,281,419)</u>
Operating profit before credit impairment (losses)/ written back	443,163	445,996	192,126	93,761	16,697	71,598	-	1,263,341
Credit impairment (losses)/ written back	<u>(125,581)</u>	<u>(46,118)</u>	<u>-</u>	<u>4,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,275)</u>
Operating profit after credit impairment (losses)/ written back	317,582	399,878	192,126	98,185	16,697	71,598	-	1,096,066
Net loss on disposal of other fixed assets	(33)	(7)	-	(56)	-	(10)	-	(106)
Net gain on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Net gain on disposal of available-for-sale securities	-	-	23,365	-	-	4,384	-	27,749
Impairment loss on investment in an associate	-	-	-	-	-	-	-	-
Share of results of an associate	-	-	-	373,038	-	-	-	373,038
Share of results of jointly controlled entities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,198</u>	<u>-</u>	<u>9,198</u>
Profit before taxation	317,549	399,871	215,491	471,167	16,697	85,170	-	1,505,945
Taxation expenses	<u>(52,399)</u>	<u>(65,978)</u>	<u>(35,556)</u>	<u>(14,423)</u>	<u>(1,707)</u>	<u>(9,152)</u>	<u>-</u>	<u>(179,215)</u>
Profit for the period from continuing operations	265,150	333,893	179,935	456,744	14,990	76,018	-	1,326,730
Profit for the period from discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,857,514</u>	<u>(7,642)</u>	<u>-</u>	<u>3,849,872</u>
Profit for the period	<u>265,150</u>	<u>333,893</u>	<u>179,935</u>	<u>456,744</u>	<u>3,872,504</u>	<u>68,376</u>	<u>-</u>	<u>5,176,602</u>
For the six months ended 30 June 2017								
Depreciation and amortisation	41,503	11,880	5,077	18,848	1,148	9,523	-	87,979
As at 31 December 2017								
Segment assets	47,248,470	58,264,178	76,464,789	36,485,129	4,240,639	8,955,102	(6,120,633)	225,537,674
Segment liabilities	96,100,034	37,301,046	18,335,487	28,208,303	1,997,591	18,279,443	(6,120,633)	194,101,271

18. Operating segment reporting (Continued)

More than 90% of the revenues from external customers were contributed from banking subsidiaries in Hong Kong, Macau and People's Republic of China, with major products and services including deposit taking, extension of credit, asset-based finance, securities investment services offered to customers.

The following tables provide information by geographical area, which was determined with reference to the domicile of the legal entities within the Group with business dealing and relationship with, and services to external customers.

HK\$'000	Hong Kong and Others	Macau	Inter- segment elimination	Total
For the six months ended 30 June 2018				
Total operating income net of insurance claims	2,694,895	276,684	(498)	2,971,081
Profit before taxation	1,463,246	154,610	-	1,617,856
At 30 June 2018				
Total assets	204,029,029	22,138,616	(2,339,335)	223,828,310
Total liabilities	175,871,683	18,879,929	(2,339,335)	192,412,277
Intangible assets and goodwill	318,667	636,863	-	955,530
Contingent liabilities and commitments	74,563,051	2,223,671	(110,832)	76,675,890
	Hong Kong and Others	Macau	Inter- segment elimination	Total
For the six months ended 30 June 2017				
Total operating income net of insurance claims	2,289,143	256,204	(587)	2,544,760
Profit before taxation	1,372,225	133,720	-	1,505,945
At 31 December 2017				
Total assets	206,897,378	21,939,617	(3,299,321)	225,537,674
Total liabilities	178,558,733	18,841,859	(3,299,321)	194,101,271
Intangible assets and goodwill	318,667	636,863	-	955,530
Contingent liabilities and commitments	82,652,387	2,304,889	(111,234)	84,846,042

FINANCIAL RATIOS

	Six months ended 30 Jun 2018	Six months ended 30 Jun 2017
Net interest income/ operating income	72.1%	74.4%
Cost to income ratio	44.9%	50.4%
Return on average total assets (annualised)	1.1%	2.8%
Adjusted return on average total assets (annualised) ^(Note 1)	1.2%	N/A
Adjusted return on average total assets (annualised) ^(Note 2)	N/A	1.1%
Return on average shareholders' funds (annualised)	9.5%	26.3%
Adjusted return on average shareholders' funds (annualised) ^(Note 1)	10.6%	N/A
Adjusted return on average shareholders' funds (annualised) ^(Note 2)	N/A	10.8%
Net interest margin	2.08%	1.94%

Note:

1. Excluding the impairment loss on the investment in an associate recognised in the six months ended 30 June 2018
2. Excluding gain on disposal of Hong Kong life insurance business recognised in the six months ended 30 June 2017

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK\$0.38 per share for 2018 payable on Friday, 21 September 2018 to shareholders whose names are on the Register of Shareholders at the close of business on Monday, 17 September 2018.

CLOSURE OF REGISTER OF SHAREHOLDERS

For determining shareholders' entitlement to receive the interim dividend:

Closure dates of Register of Shareholders (both days inclusive)	13 September 2018 (Thursday) to 17 September 2018 (Monday)
Latest time to lodge transfers	4:30 p.m. on 12 September 2018 (Wednesday)
Record date	17 September 2018 (Monday)
Interim dividend payment date	21 September 2018 (Friday)

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before the above latest time to lodge transfers.

CORPORATE AND BUSINESS OVERVIEW

HIGHLIGHTS

The relatively robust economic conditions in 2017 continued in the first half of 2018, with a growth at 3.5% in the second quarter, following the strong first quarter growth of 4.7% year on year. Exports of both goods and services were strong, and private consumption expenditure grew notably. The labour market remained very strong, with an unemployment rate of only 2.8%, a 20-year low. The local stock market ended slightly down in the first half following a sell-off in June. After growing at 6.8% in the first quarter of the year, GDP growth in China slowed slightly to 6.7% in the second quarter, broadly in line with expectations. The Federal Reserve, as expected, raised interest rates twice in the first half of the year, as generally expected. Hong Kong interest rates, however, were somewhat more volatile, with a sharp rise in Hong Kong dollar interbank rates towards the end of the first half, although even after this sharp rise, Hong Kong rates remained somewhat below US rates. Despite the increase in interest rates, overall economic conditions in our core markets remained benign.

Against the backdrop of the robust economic performance in Hong Kong and Mainland China, we reported growth in operating profit after credit impairment losses of 45.8% to HK\$1,598 million in our continuing businesses. Profit for the period grew much less, by 4.1%, due mainly to an impairment provision against our investment in Bank of Chongqing (“BOCQ”) of HK\$403 million, as well as a higher tax charge of HK\$237 million resulting from the much improved operating profit. For the first half of the year a dividend of HK\$0.38 per share was declared.

The Banking Group also performed strongly in the first half, with operating profit after credit impairment losses increasing by 45.7% to HK\$1,561 million, driven by both an improvement in operating income, and substantially lower loan impairment charges. However, again due to the impairment provision against our investment in BOCQ, as well as a higher tax charge resulting from the much improved operating profit, the profit attributable to shareholders grew by only 3.7%, to HK\$1,347 million.

BUSINESS AND FINANCIAL REVIEW

Our core banking business performed particularly strongly in the first half of this year in all key areas. Both net interest income and fee and commission income grew strongly whilst costs were managed closely, resulting in positive “jaws” and an improvement in cost efficiency. Our Banking Group’s net interest income grew by 12.4% in the first half of the year, driven by an improved net interest margin, as well as moderate loan growth of 4.4% year on year.

Growth in fee and commission income was particularly strong, increasing by 34.8% in the first half of the year. A number of factors drove this increase, including stronger wealth management revenues, including bancassurance, and fees from our commercial banking operation. Foreign exchange related income was much improved, particularly in our retail banking business, as we continued to roll out new and improved products and services for our customers. Operating expense growth was relatively modest in the first half, at 4.5%, leading to an improvement in our cost to income ratio from 49.8% to 44.5%.

Our wholly-owned banking subsidiaries in Macau and Mainland China both reported an improved performance in the first half of the year. The contribution from our associate company, BOCQ, also improved at the operating level, although we again made an impairment charge against its Value in Use (see below). With strong profit growth in our main businesses, again the proportion of the group’s profit contributed by BOCQ (before impairment) was reduced.

Credit quality remained very strong during the first half of the year, with a net impairment charge of HK\$38 million. It should be noted that the credit impairment charge in 1H 2018 was calculated under a new accounting standard, HKFRS 9, effective from January 2018, and the corresponding impairment charge in 1H 2017, calculated under the prior accounting standard, had not be restated. Asset quality was strong across both our retail and commercial banking businesses, with a generally low level of impairment charges further assisted to some extent by provision reversal on recoveries on loans previously provided for.

In addition, following a periodic review of the Value in Use of our investment in BOCQ, we again made an impairment provision against the value of this investment, in the amount of HK\$403 million.

BUSINESS AND FINANCIAL REVIEW (Continued)

Following the completion of the final parts of the sale of our life business in Macau in the second half of 2017, the Group no longer reported any results for the life business in the first half of the year. The general insurance businesses in Hong Kong and Macau reported strong growth in premium income (by 41% in aggregate compared with the first half of last year). However, due to higher claims and reserving cost, and increased levels of expenses, driven in part by the expansion of the operations following the sale of the life business, net profit generated for the period was modest.

Outside the general insurance businesses, we had some contribution from other investments, but as during the period the large part of these investments were held in deposit or short-term investments, the overall investment income contribution was modest.

Including both the results of our banking business and general insurance business, as well as the investment income referred to above, the Group generated an adjusted return on assets of 1.2% and ROE of 10.6% for the period, on the basis that the impact of the impairment provision on the investment in BOCQ made in the period was excluded, which are similar to the adjusted return ratios in the same period in 2017 (adjusted to exclude the gain on disposal of the Hong Kong life insurance business).

As at 30 June 2018, Dah Sing Bank's consolidated Common Equity Tier 1 ratio and total consolidated capital adequacy ratio were 13.4% and 18.4% respectively, similar to the levels at the end of 2017.

PROSPECTS

Conditions in the first half of 2018 have remained generally benign in our core markets of Hong Kong, Macau and Mainland China, despite a more unstable global political and economic environment year to date. Both the US economy and the US dollar have remained strong during the first half of the year. The Hong Kong economy has been generally buoyant and the Mainland economy has been broadly stable.

However, the generally benign conditions in the first half may not continue as strongly in the second half of the year. We have already seen the rises in US interest rates impacting on Hong Kong dollar rates, which have risen during the first half of the year. The impact of a trade war, and particularly the impact of possibly higher tariffs and restrictions on trade with the Mainland by the US, remain uncertain. These developments, amongst others, have unsettled equity investors in Hong Kong, resulting in a much weaker equity market coming to midyear. Mainland equity markets have been even more deeply affected, with relatively sharp falls in the first half of the year.

All of this makes us somewhat more cautious on the outlook for the second half of the year. However, currently our overall business conditions remain relatively stable, so we are not at this stage unduly pessimistic, and we expect to continue to see at least modest loan growth in the second half of the year.

The potential impact of a trade war has made us somewhat less positive about the credit outlook for the remaining part of the year, particularly for our commercial banking business. However, after a very strong performance in the first half of the year, the full year credit impairment charge is expected to be manageable. In addition, our capital adequacy remains robust. The impact of rising interest rates has increased our deposit and other funding costs, which may have a knock-on effect on our net interest margin for the second half of the year.

In addition, we will also perform a further review of the Value in Use of BOCQ in the second half of 2018, and it remains uncertain whether any further impairment charge may be needed at that time.

However, whilst there are a few negative factors, we are in general reasonably positive about the outlook for the second half of the year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has applied the principles and complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules, with the exception of code provision A.4.1.

Pursuant to code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. The Non-Executive Directors of the Company are not appointed for a specific term, but are subject to retirement by rotation and re-election at annual general meetings in accordance with the provisions of the Company’s Articles of Association.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct for directors’ securities dealing (“Directors’ Dealing Code”) on terms no less exacting than the prevailing required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) under Appendix 10 of the Listing Rules. Following specific enquiry, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code and the Directors’ Dealing Code throughout the six months ended 30 June 2018.

UNAUDITED FINANCIAL STATEMENTS

The financial information in this interim results announcement is unaudited and does not constitute statutory financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed with Management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 June 2018.

REMUNERATION AND STAFF DEVELOPMENT

There have been no material changes to the information disclosed in the Company’s 2017 Annual Report in respect of the remuneration of employees, remuneration policies and training schemes.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of listed securities of the Company during the six months ended 30 June 2018.

INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkexnews.hk and Dah Sing Bank at www.dahsing.com.

The 2018 Interim Report of the Group containing all the information required by the Listing Rules will be published on the websites of HKEX and Dah Sing Bank in due course. Printed copies of the 2018 Interim Report will be sent to shareholders who have elected to receive printed versions of the Company’s corporate communications before the end of September 2018.

BOARD OF DIRECTORS

As at the date of this announcement, the Board of Directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive) and Gary Pak-Ling Wang (Deputy Chief Executive and Group Chief Financial and Operating Officer) as Executive Directors; Messrs. Eiichi Yoshikawa (Takayoshi Futae as alternate), Kenichi Yamato and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Lon Dounn, Seiji Nakamura and Andrew Kwan-Yuen Leung as Independent Non-Executive Directors.

By Order of the Board

Doris W. N. Wong

Company Secretary

Hong Kong, Wednesday, 22 August 2018